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***Where Does the Money Go?  
What's Driving Health Care Costs?***

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# Today's Quiz

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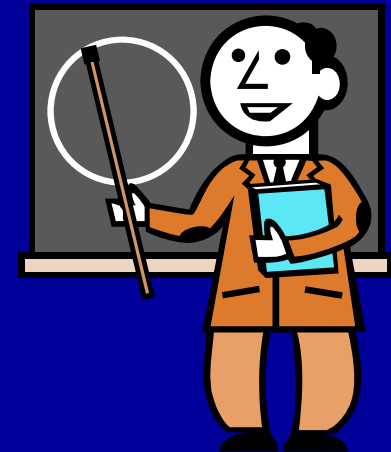
What is the total health care spending per person in Massachusetts?

In 1981 it was \$1,553. In 2006 it was:

A.) \$6,212

B.) \$7,765

C.) \$9,662



Health Care Spending in Massachusetts is 33% higher than the U.S. average

# Health Plans in MA

## The country's *best* health plans

- Consistently set the standard for quality care
- Centered on the patient
- Emphasis on health and wellness to improve members' care experiences and health outcomes



## Best Health Plans

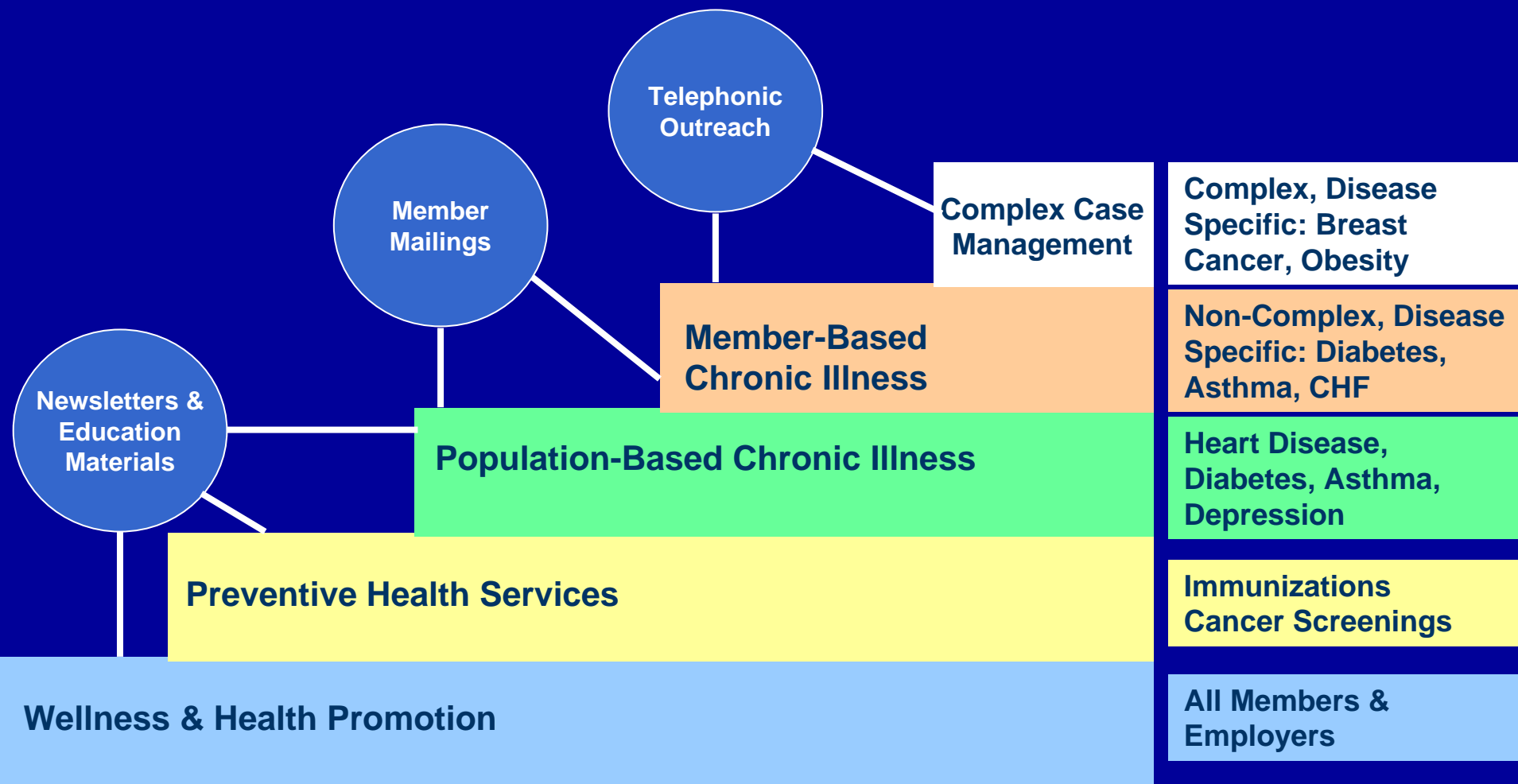
The #1 health plans for Commercial, Medicaid & Medicare coverage are based in MA

5 of the country's top 12 performing health plans in terms of clinical quality are based in Massachusetts

*U.S. News & World Report & NCQA's The State of Health Care Quality: 2007*

# Health Plans in MA

## Care Management to Help Control Costs



# Where Does the Premium Dollar Go?



Medical  
87.3% Expenses

Admin.  
11.1% Expenses

1.6% Surplus

## Medical Expenses



## Administrative Expenses



## Surplus

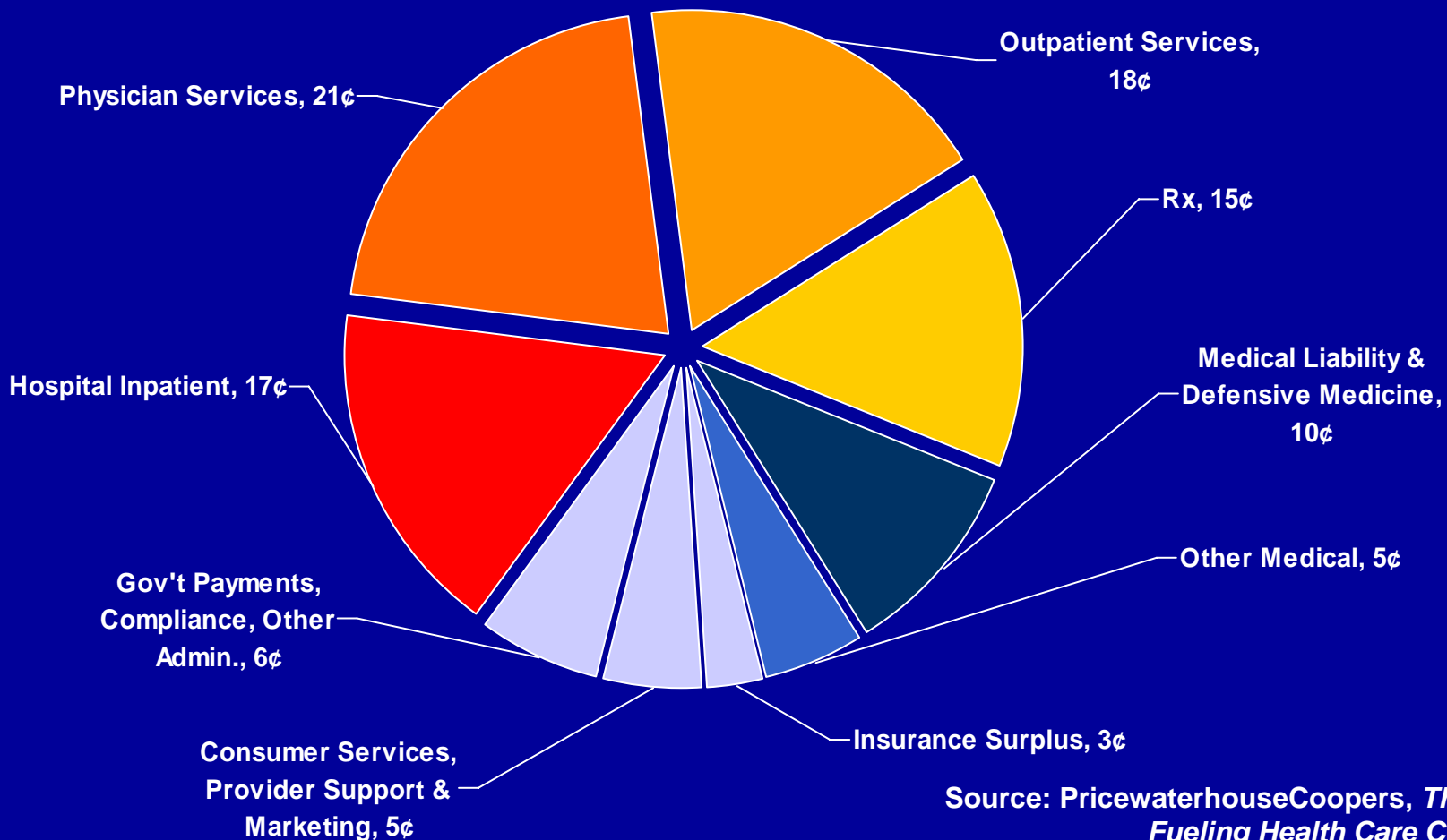


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source: Mark Farrah Associates, *2006 MA HMO Enrollment Trends & Financial Performance*. Based on statements filed with the MA Division of Insurance for the six major local commercial carriers

# Where Does the \$ Go?

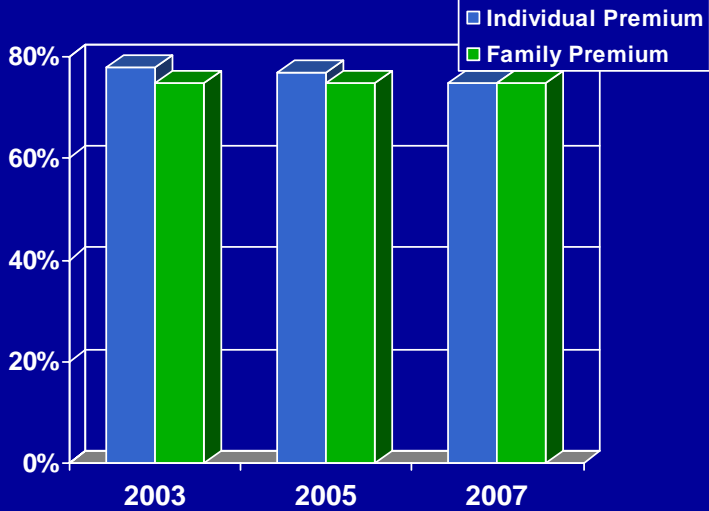
Nationally, For Every New Health Care \$...



Source: PricewaterhouseCoopers, *The Factors Fueling Health Care Costs*, 2006

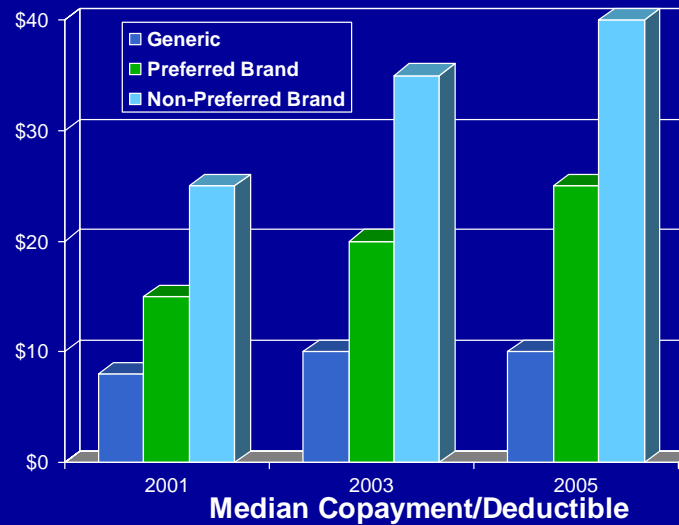
# Employers Pay the Bulk of the Health Care \$

**Employer Contributions to Health Insurance**

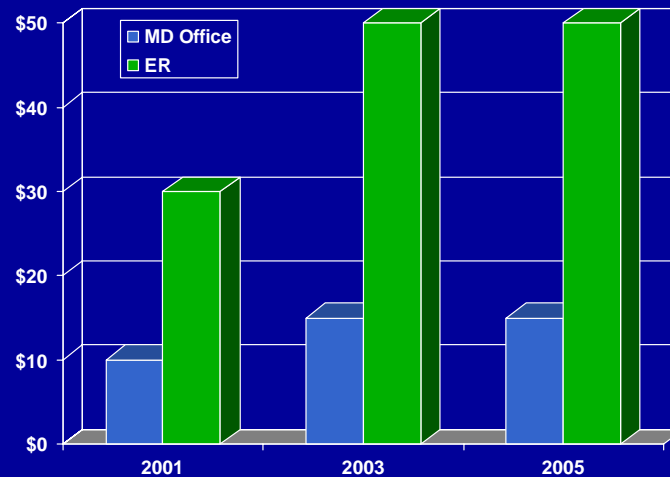


source: MA Division of Health Care Finance & Policy (DHCFP), *Key Indicators*, January 2008

**Median Copayment for Prescriptions**

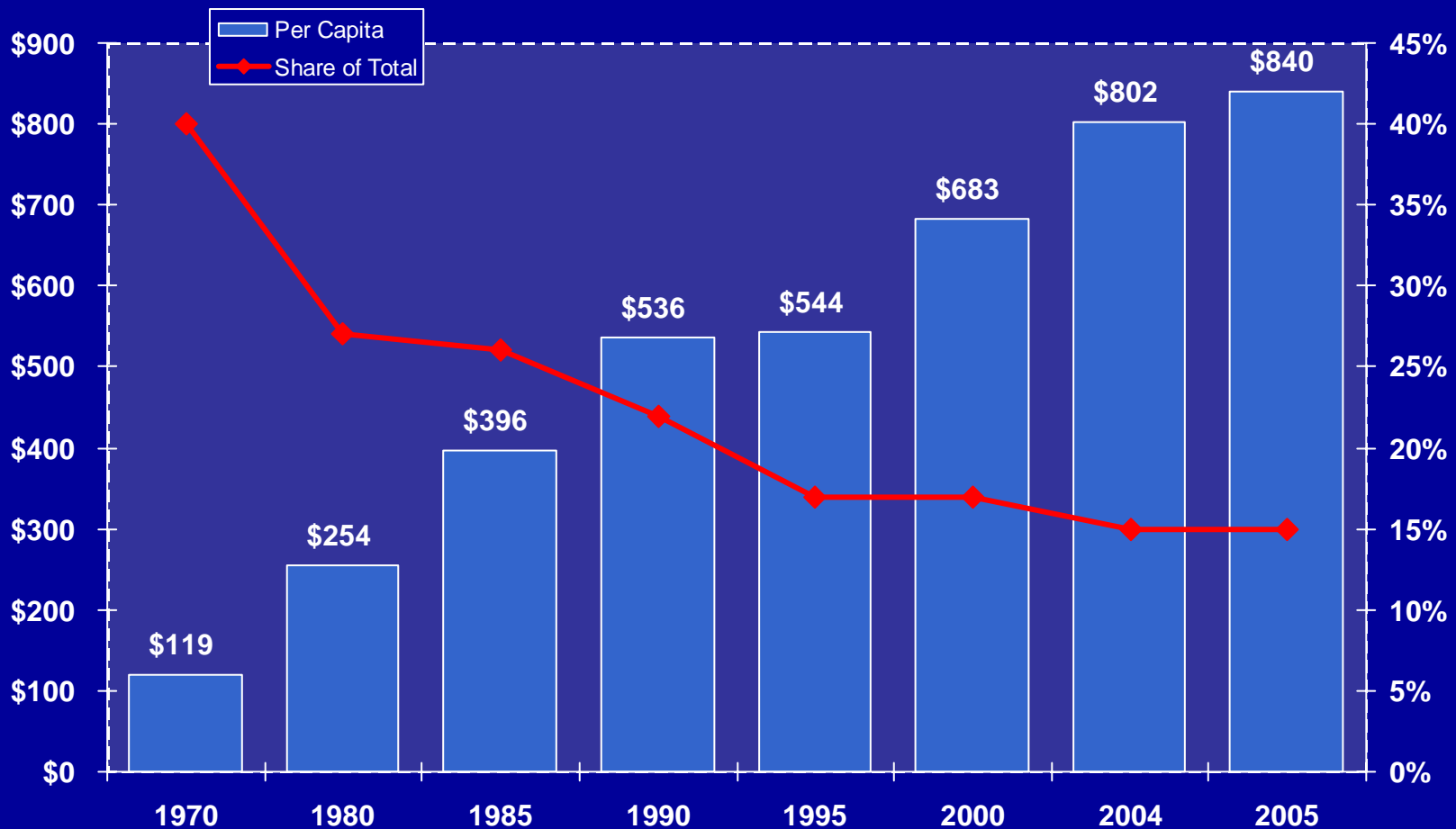


source: MA DHCFP, *MA Employer Health Insurance Survey*, 2005



source: MA DHCFP, *MA Employer Health Insurance Survey*, 2005

# Changes in Annual Out-of-Pocket Spending

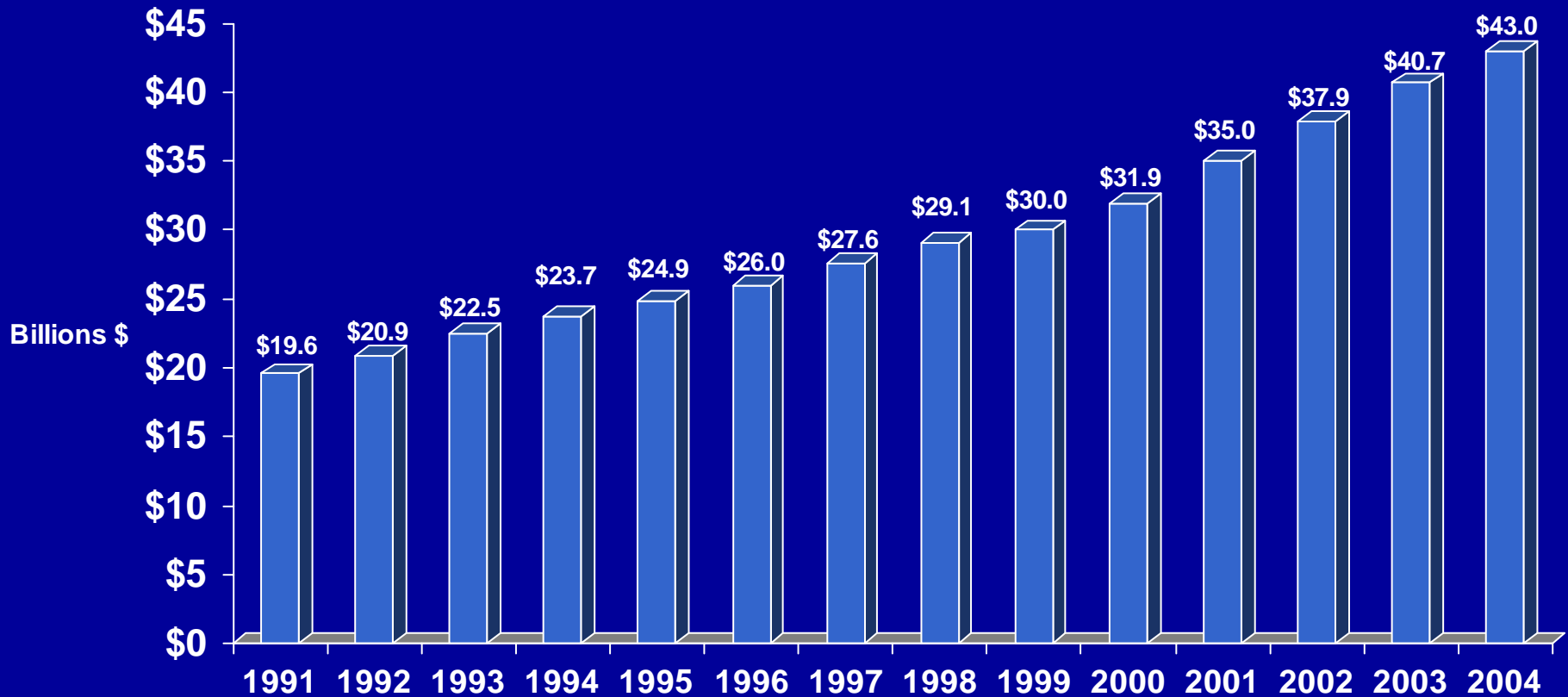


source: Centers for Medicare and Medicaid Services,  
Office of the Actuary



# Health Care Spending in MA 1991 – 2004

MA Personal Health Expenditures



source: MA DHCFP

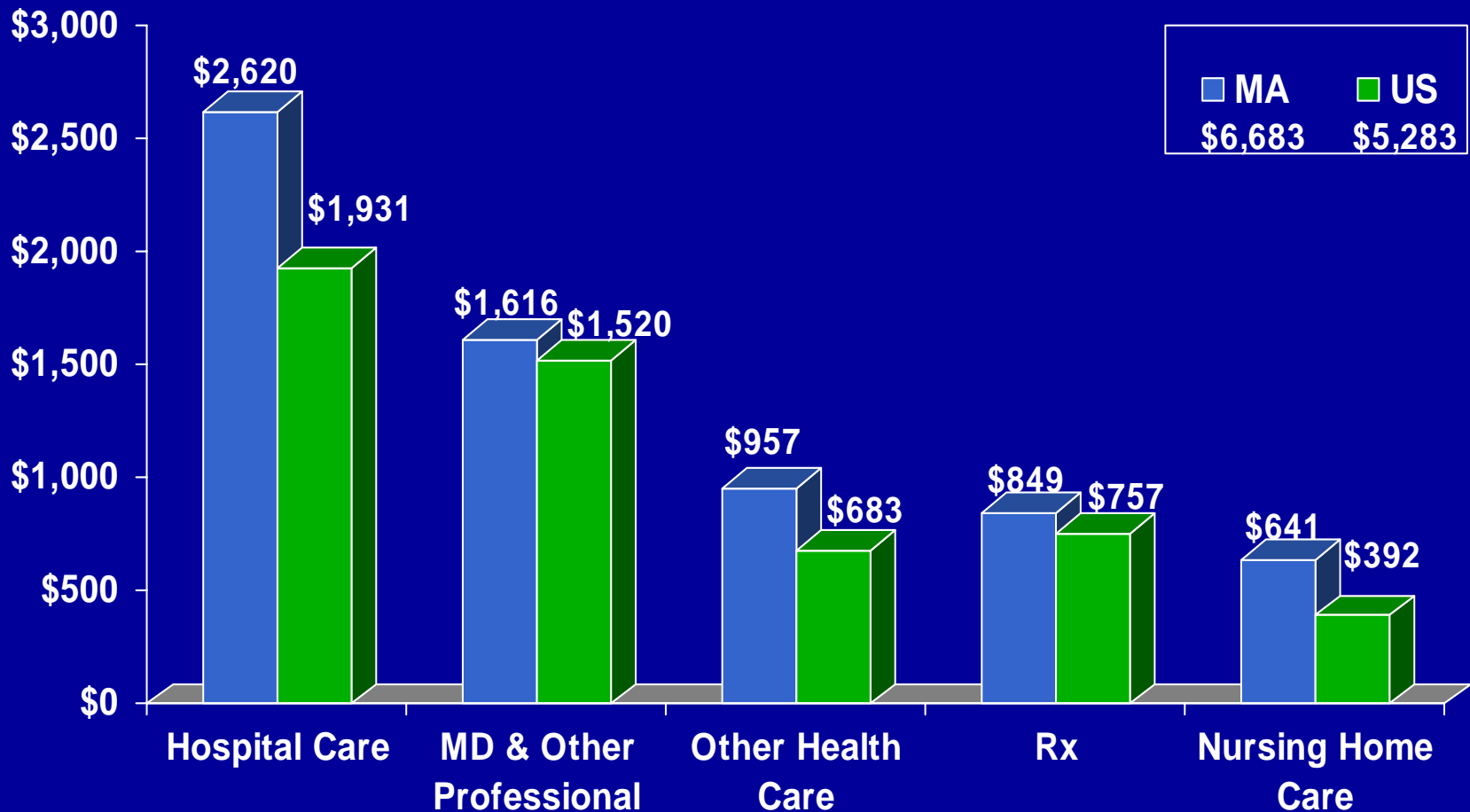
Massachusetts Health Care Cost Trends 1991-2004

# Per Capita Spending 1991-2004 MA v. US



# Health Care Expenditures 2004

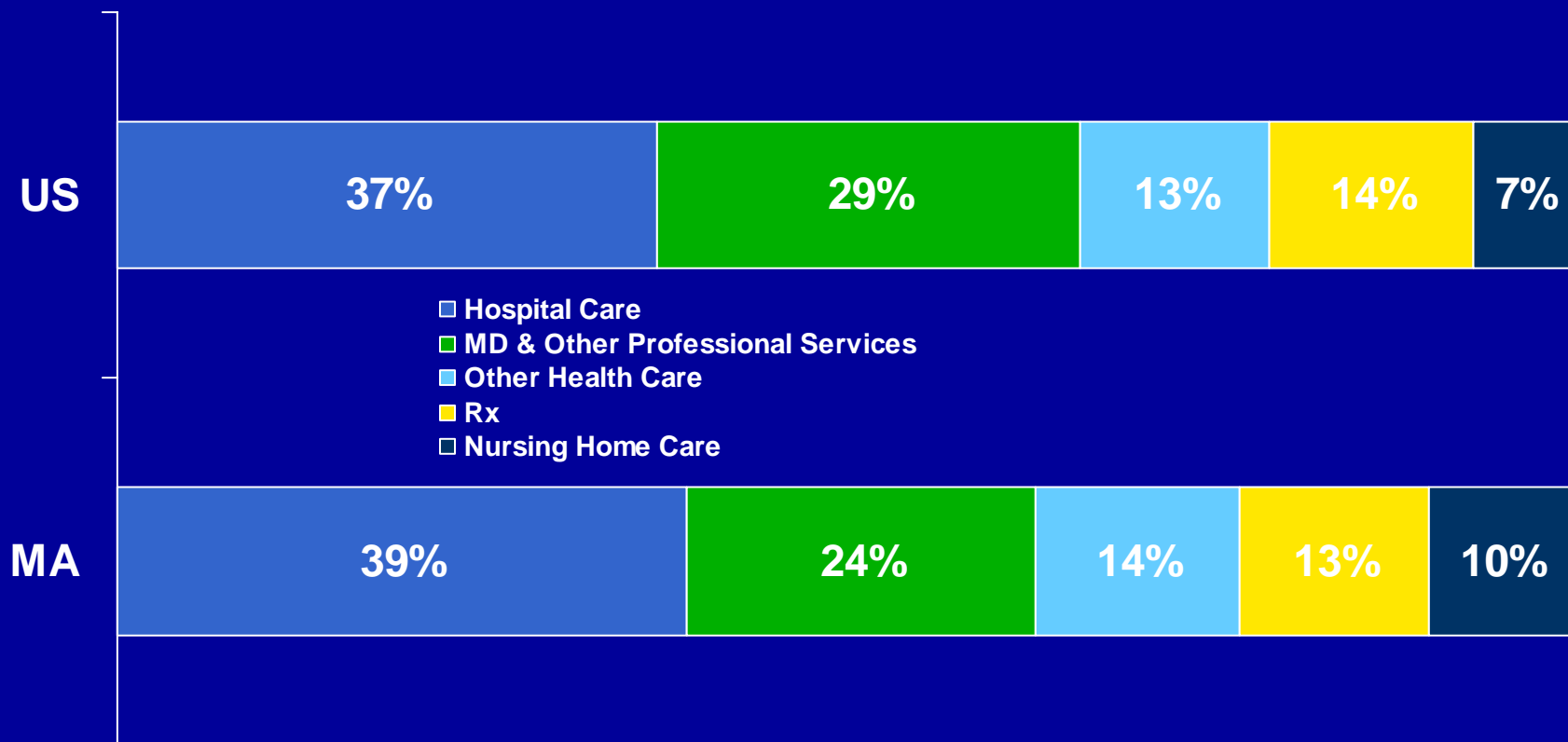
## MA v. US



source: MA Division of Health Care Finance & Policy  
Massachusetts Health Care Cost Trends 1991-2004

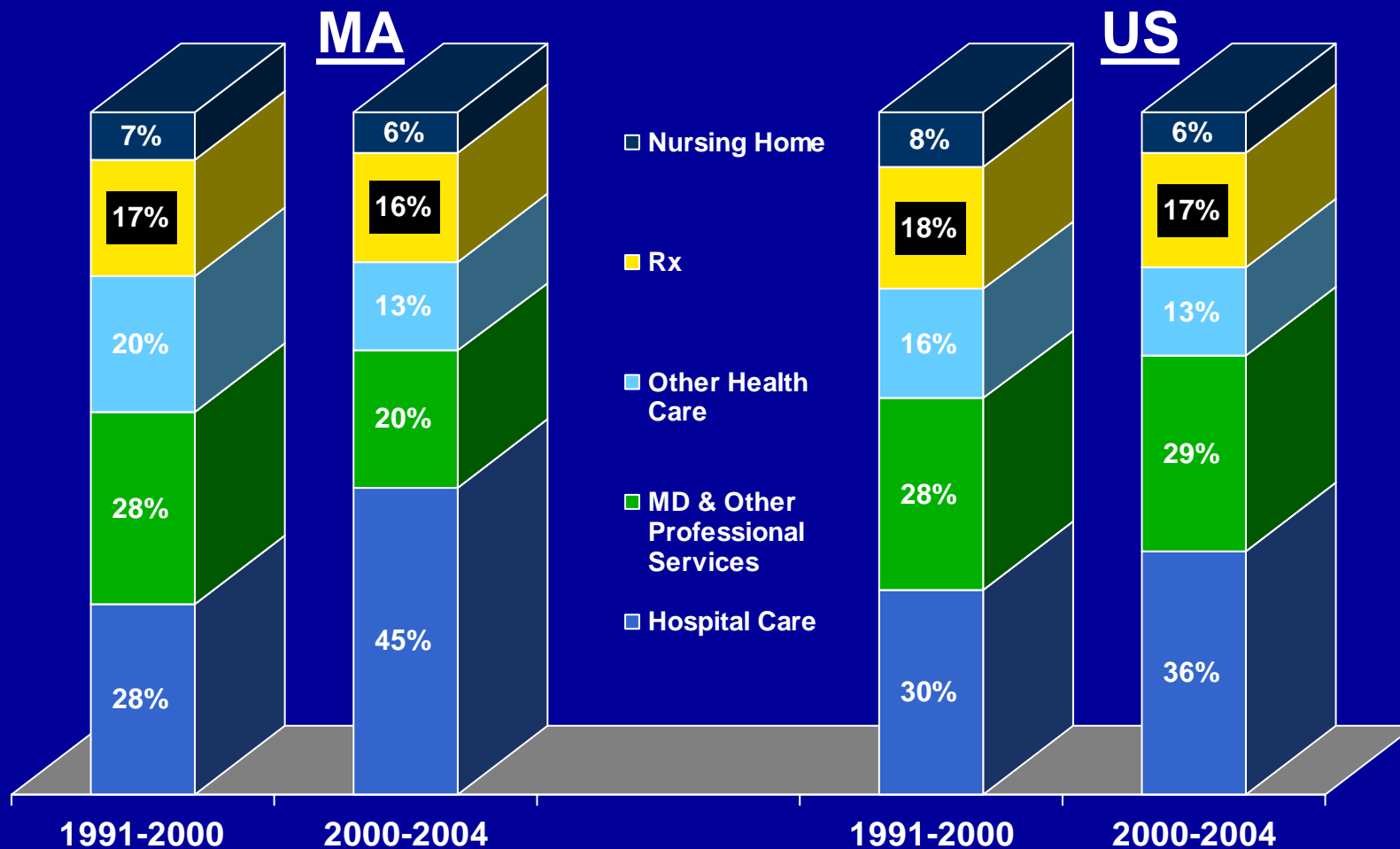
# Distribution of Health Care Expenditures – 2004

## MA v. US



source: MA Division of Health Care Finance & Policy  
Massachusetts Health Care Cost Trends 1991-2004

# Increase in Health Care Expenditures After 2000 MA v. US



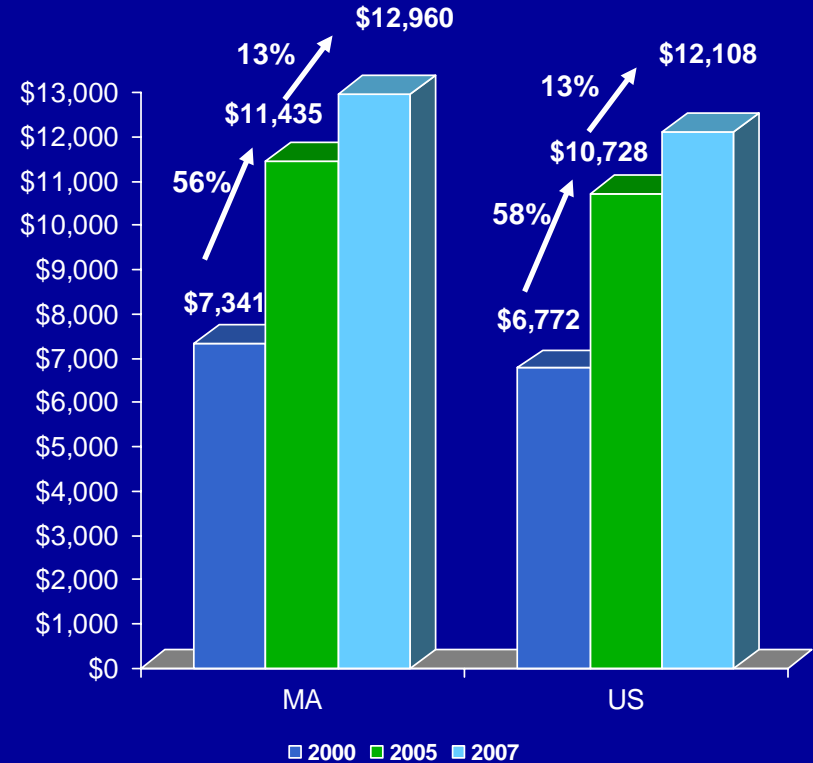
source: MA Division of Health Care Finance & Policy  
Massachusetts Health Care Cost Trends 1991-2004

# Premium Increases MA v. US

## Individual Premiums



## Family Premiums



source: MA DHCFF

Massachusetts Health Care Cost Trends 1991-2004

# Where Does the Premium Dollar Go?



Medical Expenses  
87.3%

Admin. Expenses  
11.1%

Surplus  
1.6%

## Medical Expenses



## Administrative Expenses



## Surplus



source: Mark Farrah Associates, *2006 MA HMO Enrollment Trends & Financial Performance*. Based on statements filed with the MA Division of Insurance for the six major local commercial carriers